City of Santa Barbara

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July 25, 2013

Charles Goldwasser, Counsel
5858 Wilshire Blvd., suite 205
Los Angeles, CA 90036

Eric Beecher, President
Santa Barbara Police Officers Association
c/o SBPD
P.O. Box 1990
Santa Barbara, CA 93102-1990

Dear Mr. Goldwasser and Sergeant Beecher,

In March 2013, the City and the Police Officers' Association (P.O.A.) began regular negotiations for a successor to the July 2010 through June 2013 labor agreement. Since then we have had 12 negotiating meetings, engaged in extensive discussion, and exchanged related proposals. We have reached several tentative agreements, but remain far apart on key economic issues.

The City values its police employees, both sworn and non-sworn, and offers a generous salary and benefits package. We believe that we have offered a resolution that addresses the skyrocketing cost of pensions in a way that is fair to taxpayers, and that provides fair compensation to the POA in the context of the City's other bargaining units and the labor market.

<u>Sworn Employees</u>

As you know, the City is concerned with the escalating cost of employee pensions, particularly for sworn employees with the 3% at age 50 benefit formula. Absent employees making ongoing contributions to pensions, the City's cost for each sworn employee will be 50% of salary next fiscal year, and that is estimated to increase to 62% within the five years after that. The cost of these generous pension benefits far exceeds what was anticipated when the benefits were negotiated. Therefore, we believe that it is reasonable to ask sworn employees to contribute a portion of their own compensation toward these benefits on a permanent basis. All of the City's other bargaining units are making permanent contributions toward their own retirement.

A fundamental difference in our relative positions on the pension issue is whether increased employee pension contributions should be "backfilled" by the City. You have proposed that the pension contributions be completely backfilled by the City with salary increases, and that employees receive additional salary and benefit increases on top of that. We believe that this merely shifts the manner in which the City foots the bill, assigning no real additional responsibility for pensions to employees, and providing no real relief to taxpayers.

Nevertheless, we are not asking employees to take a significant reduction to their current overall compensation. Over the last two fiscal years, sworn employees received 4.5% in salary and an additional 1.2% in benefit increases. While we have proposed that employees continue to pay the current 2.266% contribution toward pensions, employee compensation is still significantly greater than it was before those increases. We have offered another 5% salary increase, on top of the 4.5% already provided, which will help offset the proposed 6.724% increase to employees' pre-tax pension contributions. In fact, employee take home pay will be the approximately the same as, and in some cases greater than, where it is today by the end three-year MOU.

As an alternative, we have offered a one-year agreement. Sworn employees would pay an additional 2.234% to pension benefits, or 4.5% total, which is equivalent to the 4.5% in salary increases they received over the last two years as part of our last negotiations. Firefighters recently agreed to a similar deal this year, paying 3% to retirement on a permanent basis, which is equivalent to the 3% in salary increases they received as part of our last negotiations.

Our comparison data indicates that employees are well paid in the labor market. We believe that employee compensation will remain competitive with the offer that we have made.

<u>Non-sworn Employees</u>

Non-sworn POA employees already contribute 8.233% of salary toward their pensions, the same as other non-sworn employees Citywide. However, they also received 2.5% in salary and an additional 1.2% in benefit increases over the last two fiscal years that other non-sworn City employees did not receive. We have proposed a salary increase of 2% in the third year of the agreement which is fair in the context of our other bargaining groups.

<u>Vacation Cash Out</u>

Although the annual vacation cash out benefit has not been in the MOU for several years, in our three-year proposal we have offered a credit for the permanent elimination of this benefit equivalent to a 0.4% salary increase. This translates into an additional $960 per year toward family medical insurance.

This represents the actual historical City cost for this benefit. You have argued that the credit should be higher, since more people would cash out now because their leave banks are higher. That may be hypothetically true in the short-term, but we believe that the long-term value offered for the benefit should be based on the proven long-term use of the benefit. This is particularly true since employees don't actually lose anything by not having the cash out; they still can take those same vacation hours as paid time off. Nevertheless, our three-year proposal also includes a one-time cash-out of 40 hours in the first year to add some extra one-time value.

Status of Negotiations

As we told you when we made our last proposal, we have reached our economic bottom line. You indicated that you are there, too. This was reinforced by the fact that your last proposal represented no net economic movement, and indeed represented a higher cost than the proposal before it. The difference in the ongoing cost between our respective three-year proposals is approximately $1,925,000 per year. This difference does not appear to us to be reasonably likely to be resolved through further negotiations. Therefore, we believe that we have likely reached an impasse.

It is our hope that you will accept the offer that we have made (attached). The Union's acceptance or rejection of this offer must be delivered to the City Clerk in writing by August 2, 2013. Failure to accept either the City Option #1 or Option #2, or failure to provide any response by the deadline, will be deemed rejection of the offer. If the Union explicitly rejects this offer, or effectively rejects it by failing to respond by the above-stated deadline, the City will deem the parties to be at impasse.

Sincerely,

for:

Bruce Barsook, Counsel and Lead Negotiator
Kristy Schmidt, Employee Relations Manager

cc: Jim Armstrong, City Administrator
Cam Sanchez, Police Chief
Frank Mannix, Deputy Police Chief

City Management's Proposal
City and Police Officers Association (POA) Negotiations
July 25, 2013

The City proposes the following changes to the existing labor agreement be incorporated into a successor agreement. All other provisions from the existing agreement are proposed to remain in the agreement without changes.

Note: With this proposal, the City is asking the POA to share modestly in the large unexpected pension cost increases that the City has incurred over the last 10+ years, which were significantly in excess of those contemplated when employee pension benefit enhancements were negotiated. This proposal takes into account that employees in this unit already received salary and medical benefit increases in the last two fiscal years that most other employee groups did not receive. The City prefers a 3 year agreement, but offers a one year agreement as an option.

Article	**Option #1 (One Year- Alternative)**	**Option #2 (Three Years- Preferred)**
Term	Term of agreement July 1, 2013 through June 30, 2014 (12 months)	Term of agreement July 1, 2013 through June 30, 2016 (36 months)
Furlough	No furlough, eliminate section from MOU	←Same
PERS–NEW EMPLOYEES	Effective 7/1/2013, new members/employees, as defined by state pension reform law, will pay their full member contribution (equal to half of the normal cost of their retirement benefits)	←Same
PERS–CLASSIC SWORN EMPLOYEES	• Effective 7/1/2013, existing employees will pay a **4.5%** (existing 2.266% contribution plus additional 2.234%) member contribution. • If agreement is reached after 6/30/2013, employees will pay such greater amount as will equal, by the end of Fiscal Year 2014, the same dollar amount as if such contributions had increased on 7/1/2013. *	• Existing employees: - FY 14: Effective 7/1/2013 existing employees will pay a **3.0%** (existing 2.266% contribution plus additional 0.734%) member contribution. - FY 15: Effective 7/1/2014 employees will pay a **6.0%** (+3%) member contribution. - FY 16: Effective 7/1/2015 employees will pay a **9%** (+3%) member contribution. • If agreement is reached after 6/30/2013, employees will pay such greater amount as will equal the same dollar amount as if such contributions had increased on 7/1/2013. * • Effective 7/1/2015, the City will rescind resolutions for reporting the value of Employer Paid

		Member Contributions to PERS as compensation pursuant to Government Code Section 20636(c)(4) for all employees.
Base Salaries [Note: Sworn employees received +4.5% salary in last contract; Non-sworn employees received +2.5% salary]	No change to salaries	• <u>Sworn</u>: The following across the board salary increases will apply: - Effective 7/1/2014- 2.0% - Effective 7/1/2015- 3.0% <u>Non-sworn</u>: Effective 7/1/2015- 2%
Records Supervisor	Mgmt recognizes change in duties and scope of responsibility with elimination of civilian Records Manager. Propose increase to range 325 effective 7/13/2013 or upon Council adoption, whichever later.	←Same
Medical Insurance Contribution [Note: Employees received $125/month in last contract- equiv to +<u>1</u>.2% salary]	No increase	Increase maximum City medical contribution as follows: 1/1/2014: $40 per month 1/1/2015: $40 per month
Annual Vacation Cash Out	No reinstatement of benefit. There will be no future annual cash out of vacation or other applicable time. Effective July 1, 2013, or upon Council adoption, the vacation cap (maximum vacation accrual) will be increased by **40** hours, from 280 hours to **320** hours. [For Agreement Only]	No reinstatement of benefit. There will be no future annual cash out of vacation or other applicable time. However, there will be a one-time final cash-out. Employees may cash out up to **40** vacation hours in within 6 weeks following ratification of the agreement. Effective July 1, 2013, the vacation cap (maximum vacation accrual) will be increased by **40** hours, from 280 hours to **320** hours. City will work with employees to try to avoid loss of vacation under the vacation accrual cap.
Holiday	Agree in concept to POA proposal to allow 80 hours holiday to be scheduled during vacation sign up, contract language to be developed. (Tentative Agreement)	
Overtime detail	If scheduled overtime is cancelled within 8 hours of the scheduled start time, the employee will receive 3 hours at straight time. (Tentative Agreement)	
Uniforms &	Uniform and equipment issues should be pursued through existing uniform and	

Equipment	equipment evaluation processes. (Tentative Agreement)
Advanced Disability Payments in Lieu of 4850. (Any agreement term)	The City will have the right to discontinue 4850 payments and implement advanced disability payments, consistent with the requirements of law.
Non-discrimination	Incorporate the City's Non-discrimination and Harassment Policy and Employee Complaint procedure by reference in Article 13 (Equal Employment Opportunity) (Tentative Agreement)
Grievances	Incorporate grievance policy from Municipal Code 3.16.370 into MOU. (Tentative Agreement)
Use of Computer Resources	Add the following to the MOU -- "USE OF COMPUTER RESOURCES Employees' rights and obligations regarding use of the City's computers and computing resources are governed generally by the City's computer use policies. The Association and the City agree that occasional and incidental employee use of City computing resources for Association business is allowable within the same parameters applied to other acceptable non-commercial personal use under those policies. The parties agree that such use shall not interfere with the performance of work duties or the effective delivery of services, and shall not result in any significant cost to the City or compromise the security of City systems. The parties further agree that City computer resources, including the e-mail system, will not be used by the Association or City employees to support or oppose a political campaign or ballot measure. The Association acknowledges that employees have no expectation of privacy in the use of City computer resources, including but not limited to e-mail and text messaging, even if they are locked or password-protected." (Tentative Agreement)
Administrative clarifications (Any agreement term)	1) Clarify the achieving a step increase (from any step to the next step) requires one year of actual service. 2) Clarify that prorating benefits for part-time employees applies to other benefits such as bereavement leave, bilingual pay, etc. 3) Call back is minimum of "four" hours as negotiated in 2007 (MOU has typo)

Except as provided above, all other provisions of the existing MOU to remain status quo.

<u>** As an interim measure, we suggest that sworn employees continue to pay the 2.226% toward the 9% member contribution that they are currently paying pending the final outcome of these negotiations. This would reduce the need to increase the percentage amount to make up for the loss of contributions caused by any delay in implementing a new agreement. If for any reason we reach an outcome that does not include a member contribution of at least 2.266%, the City would refund excess employee contributions taken after 6/28/2013.</u>